

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 964 - HB 1059**

February 14, 2019

**SUMMARY OF BILL:** Exempts from state and local sales tax the sale of diapers intended to be worn by infants and children.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue – Net Impact – \$6,904,800**

**Decrease Local Revenue – Net Impact – \$2,817,700**

Assumptions:

- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- There are approximately 245,310 children in Tennessee three years of age or younger, who are estimated to use an average of six diapers per day for a total of 537,228,900 diapers per year (245,310 children x 6 diapers x 365 days). These numbers are assumed to remain constant into perpetuity.
- The average cost per diaper is estimated to be \$0.20. Total annual taxable sales of diapers are estimated to be \$107,445,780 (537,228,900 x \$0.20).
- The recurring decrease in state sales tax revenue is estimated to be \$7,249,163  $[(\$107,445,780 \times 7.0\%) - (\$107,445,780 \times 7.0\% \times 3.617\%)]$ .
- The recurring decrease in local sales tax revenue is estimated to be \$2,958,186  $[(\$107,445,780 \times 2.5\%) + (\$107,445,780 \times 7.0\% \times 3.617\%)]$ .
- Fifty percent of tax savings, or \$5,103,675  $[(\$7,249,163 + \$2,958,186) \times 50\%]$ , will be spent in the economy on other sales-taxable goods and services.
- The recurring increase in state sales tax collections is estimated to be \$344,335  $[(\$5,103,675 \times 7.0\%) - (\$5,103,675 \times 7.0\% \times 3.617\%)]$ .
- The recurring increase in local sales tax collections is estimated to be \$140,514  $[(\$5,103,675 \times 2.5\%) + (\$5,103,675 \times 7.0\% \times 3.617\%)]$ .
- The net recurring decrease in state revenue as a result of this legislation is estimated to be \$6,904,828 (\$7,249,163 - \$344,335).
- The net recurring decrease in local revenue as a result of this bill is estimated to be \$2,817,672 (\$2,958,186 - \$140,514).

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

/jdb